



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Voluntary Report - public distribution

Date: 10/1/2004

GAIN Report Number: IN4107

India

Grain and Feed

October Update

2004

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Report Highlights:

India's MY 2004 rice and coarse grain production is forecast to decline significantly due to unfavorable weather conditions. A likely decline in rice production and procurement, a steep fall in government rice stocks, and higher domestic prices do not augur well for large rice exports in CY 2005. After heavy exports over the past several months, Indian wheat exports have started tapering off.

Includes PSD Changes: Yes

Includes Trade Matrix: No

Unscheduled Report

New Delhi [IN1]

[IN]

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SECTION I – SITUATION AND OUTLOOK

RICE

Production Down

MY 2004/05 (Oct-Sep) rice production is currently forecast at 83 million tons (71 million tons in the fall harvested *kharif* season and 12 million tons in the spring harvested *rabi* season), which although higher than Post's August forecast of 80 million tons, is 4 million tons below the GOI's revised 2003/04 estimate of 87 million tons. Lower production is largely attributed to a decline in planted area in north and east India, combined with a marginal decline in yields due to unfavorable weather conditions characterized by a prolonged dry period in some states and floods in others. The return of normal rainfall distribution in some growing regions since the beginning of August helped to mitigate further yield losses. The state of Uttar Pradesh is likely to account for a major share of the decline in the *kharif* rice production, followed by Bihar, Assam, West Bengal, and Orissa. Rice production in southern India is estimated to be more or less the same as last year or marginally lower. Rice production in the major surplus state of Punjab is also estimated to be somewhat lower than last year's record production due to the dry spell. The government has urged states to offset the decline in *kharif* grain production by increased production in the *rabi* season. This, however, seems unlikely, in the case of rice due to limited irrigation availability and likely diversification to less irrigation-intensive crops like wheat, oilseeds, and corn.

Government Rice Procurement Likely to be Lower

The decline in rice production in two of the major surplus states, Punjab and Uttar Pradesh, is likely to translate into lower rice procurement by the government during the 2004/05 marketing year over MY 2003/04, when procurement was a record 22.7 million tons. Rice procurement by state in MY 2003/04 is as follows:

State	Procurement (mmt)
Punjab	8.66
Andhra Pradesh	4.21
Uttar Pradesh	2.55
Chattisgarh	2.32
Haryana	1.33
Orissa	1.32
West Bengal	0.92
Bihar	0.36
Uttaranchal	0.32
Other	0.69
Total	22.68

Support Price for Paddy Hiked

The government hiked the minimum support prices of paddy (un-milled rice) for MY 2004/05 by rs. 100 (\$2.20) per metric ton to rs. 5,600 (\$122) for common varieties and rs. 5,900 (\$128.7) for Grade A. The upward revision in the support price will result in higher prices for milled rice procured by the government from millers under the compulsory levy scheme and also makes Indian rice less competitive in the world market. Unless the sales price of rice through the public distribution system is hiked, the food subsidy will also balloon due to higher procurement cost.

Government Rice Stocks Fall

Despite record rice procurement in MY 2003/04, government rice stocks fell to 7.1 million tons on September 1, 2004, which, although unchanged from a year ago level, is 10.4 million tons below the September 1, 2002, stocks. With a likely offtake of about 2 million tons in September, the October 1 stocks are likely to plummet to around 5 million tons, the lowest since 1989, and below the GOI's desired October 1 minimum buffer stock level of 6.5 million tons.

CY 2005 Export Outlook Cheerless

Currently, Post forecasts CY 2005 rice exports at 2.5 million tons, including 600,000 tons of basmati rice. CY 2004 exports through September are estimated at 2.3 million tons, and are projected at 2.7 million tons for the full year. A likely decline in rice production and procurement, a steep fall in government rice stocks, and higher domestic prices do not augur well for large rice exports in CY 2005. Following the cessation of exports subsidies, Indian white rice is now priced out of the world market, with the exception of basmati rice and parboiled rice. According to trade sources, Indian parboiled rice (15 percent broken), now priced at about \$235 per metric ton (FOB), is cheaper than similar Thai rice by almost \$10, whereas Indian white rice (25 percent broken), priced at \$225 per metric ton FOB, is higher than the Thai price. Although there are trade rumors that the government will soon announce a WTO-compatible export subsidy program for rice, there is still uncertainty. Even if an export subsidy program is in place, there are likely to be quantitative restrictions on exports, as the government cannot afford unlimited exports at the cost of domestic food security.

WHEAT

India Likely to be Out of the World Market

After heavy exports over the past several months, Indian wheat exports have started tapering off, with few vessels now loading at Indian ports. According to trade sources, if no government export subsidy is forthcoming, exports will cease, as Indian wheat will no longer be competitive vis-à-vis wheat from other origins like the Ukraine, Romania, Eastern Europe, and Australia. With Indian wheat currently priced at \$170 FOB, even neighboring importers like Bangladesh and Sri Lanka have started looking at other origins for their wheat requirements. Although private importers still have some wheat they procured this year from the domestic market in the hope of a government export subsidy, they will soon start selling it in the domestic market if no government subsidy is offered. During MY 2004/05 (Apr-Mar), exports through September 2004 totaled around 1.5 million metric tons; an additional 50,000 - 100,000 metric tons may be exported in coming months, taking total exports to around 1.6 million metric tons. 2004/05 (Jul-Jun) exports are likely to be only around 700,000 tons.

Government Stocks Falling

Government wheat stocks on September 1, 2004, were 15.8 million metric tons, compared with 17.4 million metric tons a month ago and 20.7 million metric tons a year ago. With likely higher domestic offtake during the September-March lean-supply period, stocks are likely to decline to around 5 million metric tons by April 1, 2005, the lowest level since 1997. This, combined with the inflationary pressure in the economy and a steep decline in coarse grain production (resulting in higher demand for wheat), should discourage the government from offering any subsidy for wheat exports. Furthermore, the government is contemplating

a massive food-for-work program to provide employment to the rural population, which would create additional domestic wheat demand.

COARSE GRAINS

Production Down

The prolonged dry spell in western and northern India has adversely affected coarse grain production in general, and *bajra* (pearl millet), a largely non-irrigated crop grown in Rajasthan, Gujarat, and Haryana, in particular. According to preliminary estimates, *bajra* production is estimated to decline by 26 percent to 5.8 million metric tons. Millets are mostly used as human food and very little goes for feed use. Sorghum production during the *kharif* is also estimated to decline by 24 percent to 3.5 million metric tons. Although corn production in northern India, particularly in Rajasthan, was badly affected by drought, this will be mostly offset by higher production in the southern states, and likely higher production in the *rabi* season. Post currently forecasts 2004/05 corn production at 14 million metric tons, 0.7 million metric tons below the 2003/04 estimate. Winter corn production is gradually expanding in the states of Uttar Pradesh, West Bengal, and Bihar, in response to efforts by these state governments towards crop diversification.

Corn Exports Over

After exporting an estimated 750,000 metric tons of corn in MY 2003/04, Indian corn exports have stopped in response to higher domestic prices and a steep fall in world prices. India had been exporting corn to Bangladesh, the Middle East, and South East Asian countries by taking advantage of the high world prices and freight costs last year, though the domestic poultry industry complained about corn shortages. Although the prevailing low corn prices in the United States should make corn imports attractive to the Indian poultry industry and other end-users, the 15 percent import duty in India makes imports infeasible.

Pulse Production Down, Imports Likely to be Higher

The drought in major growing regions in north India caused the *kharif* season pulse output to decline by 14 percent to 4.7 million metric tons. However, this decline is likely to be partially offset in the *rabi* season (the major pulse growing season) if the weather remains favorable. Nonetheless, a decline in overall pulse production is likely, resulting in higher imports in MY 2004/05, estimated at 2 million metric tons, compared to 1.7 million metric tons in MY 2003/04.

Table 1. Government Procurement, Stocks, and Offtake of Rice (a year ago)
(Million metric tons)

	Stocks	Procurement Cumulative	Imports	Offtake *
Sep 1	7.1 (17.5)	16.4 (21.3) 1/		1.9 (1.9)
Oct 1	5.2 (15.8)			1.9 (2.0)
Nov 1	5.7 (20.5)			1.5 (1.6)
Dec 1	10.9 (20.3)			1.5 (1.8)
Jan 1, 2004	11.7 (19.4)			1.9 (1.8)
Feb 1	12.4 (18.8)			1.6 (1.6)
Mar 1	13.6 (26.0)			2.0 (2.4)
Apr 1	13.1 (17.2)			1.4 (1.6)
May 1	12.7 (15.3)			1.6 (2.4)
Jun 1	12.3 (13.2)			1.8 (2.4)
Jul 1	10.8 (11.0)			1.7 (2.3)
Aug 1	9.1 (8.1)			2.0 (1.7)
Sep 1	7.1 (7.1)	22.8 (16.4) 2/		

1/ Cumulative procurement: October 1, 2002 to September 30, 2003

2/ Cumulative procurement: October 1, 2003 to September 27, 2004

Table 2: Government Procurement, Stocks, and Offtake of Wheat (a year ago)
(Million metric tons)

	Stocks	Procurement Cumulative	Imports	Offtake *
Sep 1	20.7 (37.9)			2.3 (2.2)
Oct 1	18.4 (35.6)			2.0 (2.3)
Nov 1	16.4 (33.1)			1.8 (1.7)
Dec 1	14.6 (31.3)			1.9 (2.4)
Jan 1, 2004	12.7 (28.8)			1.8 (2.4)
Feb 1	11.0 (21.3)			1.7 (2.7)
Mar 1	8.6 (18.6)	15.8 (19.0) 1/		1.9 (2.9)
Apr 1	6.9 (18.6)			1.3 (1.6)
May 1	19.0 (26.0)			1.1 (1.9)
Jun 1	19.4 (26.6)			1.2 (2.3)
Jul 1	19.2 (24.2)			1.3 (2.3)
Aug 1	17.4 (22.4)			1.6 (1.7)
Sep 1	15.8 (20.7)	16.8 (15.8) 2/		

* Includes exports

1/ Cumulative procurement: April 1, 2003 to March 31, 2004

2/ Cumulative procurement: April 1, 2004 to September 27, 2004

SECTION II – STATISTICAL TABLES

Table 1: Commodity, Rice Milled, PSD

PSD Table							
Country:	India						
Commodity:	Rice, Milled						
		2002		2003		2004	UOM
	Old	New	Old	New	Old	New	
Market Year Begin		Oct-02		Oct-03		Oct-04	(MONTH/YEAR)
Area Harvested	40,400	40,400	44,000	44,000	43,500	42,500	(1000 Hectares)
Beginning Stocks	24,480	24,480	11,000	11,000	10,900	10,900	(1000 MT)
Milled Production	72,700	72,700	86,400	87,000	83,000	83,000	(1000 MT)
Rough Production	109,061	109,061	129,613	130,513	124,512	124,512	(1000 MT)
Milling Rate(.9999)	6,666	6,666	6,666	6,666	6,666	6,666	(1000 MT)
TOTAL Imports	0	0	0	0	0	0	(1000 MT)
Jan-Dec Imports	0	0	0	0	0	0	(1000 MT)
Jan-Dec Import U.S.	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	97,180	97,180	97,400	98,000	93,900	93,900	(1000 MT)
TOTAL Exports	5,440	5,440	2,750	2,800	2,750	2,500	(1000 MT)
Jan-Dec Exports	4,421	4,421	2,800	2,700	2,500	2,500	(1000 MT)
TOTAL Dom. Consumption	80,740	80,740	83,750	84,300	81,650	82,400	(1000 MT)
Ending Stocks	11,000	11,000	10,900	10,900	9,500	9,000	(1000 MT)
TOTAL DISTRIBUTION	97,180	97,180	97,400	98,000	93,900	93,900	(1000 MT)

Table 2: Commodity, Wheat, PSD

PSD Table							
Country:	India						
Commodity:	Wheat						
		2002		2003		2004	UOM
	Old	New	Old	New	Old	New	
Market Year Begin		Apr-02		Apr-03		Apr-04	(MONTH/YEAR)
Area Harvested	25,900	25,900	25,900	25,900	27,300	27,300	(1000 Hectares)
Beginning Stocks	23,000	23,000	15,700	15,700	6,900	6,900	(1000 MT)
Production	71,810	71,810	65,100	65,100	72,000	72,060	(1000 MT)
TOTAL Mkt. Yr. Imports	34	34	20	20	20	20	(1000 MT)
Jul-Jun Imports	19	19	20	20	20	20	(1000 MT)
Jul-Jun Import U.S.	10	10	0	0	0	0	(1000 MT)
TOTAL SUPPLY	94,844	94,844	80,820	80,820	78,920	78,980	(1000 MT)
TOTAL Mkt. Yr. Exports	5,300	5,300	5,500	6,700	1,500	1,600	(1000 MT)
Jul-Jun Exports	6,100	6,100	5,000	5,800	1,000	700	(1000 MT)
Feed Dom. Consumption	600	600	600	600	500	400	(1000 MT)
TOTAL Dom. Consumption	73,844	73,844	68,420	67,220	69,920	71,880	(1000 MT)
Ending Stocks	15,700	15,700	6,900	6,900	7,500	5,500	(1000 MT)
TOTAL DISTRIBUTION	94,844	94,844	80,820	80,820	78,920	78,980	(1000 MT)

Table 3: Commodity, Corn, PSD

PSD Table							
Country:	India						
Commodity:	Corn						
		2002		2003		2004	UOM
	Old	New	Old	New	Old	New	
Market Year Begin		Nov-02		Nov-03		Nov-04	(MONTH/YEAR)
Area Harvested	6,300	6,300	7,000	7,000	6,900	6,800	(1000 Hectares)
Beginning Stocks	1,162	1,162	213	213	813	483	(1000 MT)
Production	11,100	11,100	14,800	14,720	14,000	14,000	(1000 MT)
TOTAL Mkt. Yr. Imports	1	1	0	0	0	0	(1000 MT)
Oct-Sep Imports	1	1	0	0	0	0	(1000 MT)
Oct-Sep Import U.S.	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	12,263	12,263	15,013	14,933	14,813	14,483	(1000 MT)
TOTAL Mkt. Yr. Exports	50	50	500	750	300	150	(1000 MT)
Oct-Sep Exports	50	50	500	750	300	150	(1000 MT)
Feed Dom. Consumption	5,200	5,200	6,400	6,000	6,500	6,400	(1000 MT)
TOTAL Dom. Consumption	12,000	12,000	13,700	13,700	14,000	14,000	(1000 MT)
Ending Stocks	213	213	813	483	513	333	(1000 MT)
TOTAL DISTRIBUTION	12,263	12,263	15,013	14,933	14,813	14,483	(1000 MT)

Table 4: Commodity, Sorghum, PSD

PSD Table							
Country:	India						
Commodity:	Sorghum						
		2002		2003		2004	UOM
	Old	New	Old	New	Old	New	
Market Year Begin		Nov-02		Nov-03		Nov-04	(MONTH/YEAR)
Area Harvested	9,500	9,200	9,900	9,500	9,900	9,200	(1000 Hectares)
Beginning Stocks	220	220	123	123	103	103	(1000 MT)
Production	7,060	7,060	8,000	7,330	8,000	6,500	(1000 MT)
TOTAL Mkt. Yr. Imports	0	0	0	0	0	0	(1000 MT)
Oct-Sep Imports	0	0	0	0	0	0	(1000 MT)
Oct-Sep Import U.S.	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	7,280	7,280	8,123	7,453	8,103	6,603	(1000 MT)
TOTAL Mkt. Yr. Exports	7	7	20	5	0	0	(1000 MT)
Oct-Sep Exports	6	6	20	5	0	0	(1000 MT)
Feed Dom. Consumption	1,000	1,000	1,000	1,000	1,000	800	(1000 MT)
TOTAL Dom. Consumption	7,150	7,150	8,000	7,345	8,000	6,510	(1000 MT)
Ending Stocks	123	123	103	103	103	93	(1000 MT)
TOTAL DISTRIBUTION	7,280	7,280	8,123	7,453	8,103	6,603	(1000 MT)

Table 5: Commodity, Millet, PSD

PSD Table							
Country:	India						
Commodity:	Millet						
		2002		2003		2004	UOM
	Old	New	Old	New	Old	New	
Market Year Begin		Nov-02		Nov-03		Nov-04	(MONTH/YEAR)
Area Harvested	9,000	9,000	12,000	12,000	11,500	9,400	(1000 Hectares)
Beginning Stocks	400	400	300	300	500	600	(1000 MT)
Production	6,000	6,000	10,700	13,800	8,500	8,000	(1000 MT)
TOTAL Mkt. Yr. Imports	0	0	0	0		0	(1000 MT)
Oct-Sep Imports	0	0	0	0	0	0	(1000 MT)
Oct-Sep Import U.S.	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	6,400	6,400	11,000	14,100	9,000	8,600	(1000 MT)
TOTAL Mkt. Yr. Exports	0	0	0	0	0	0	(1000 MT)
Oct-Sep Exports	0	0	0	0	0	0	(1000 MT)
Feed Dom. Consumption	700	700	900	1,000	900	900	(1000 MT)
TOTAL Dom. Consumption	6,100	6,100	10,500	13,500	8,800	8,400	(1000 MT)
Ending Stocks	300	300	500	600	200	200	(1000 MT)
TOTAL DISTRIBUTION	6,400	6,400	11,000	14,100	9,000	8,600	(1000 MT)

Table 6: Commodity, Barley, PSD

PSD Table							
Country:	India						
Commodity:	Barley						
		2002		2003		2004	UOM
	Old	New	Old	New	Old	New	
Market Year Begin		Apr-02		Apr-03		Apr-04	(MONTH/YEAR)
Area Harvested	750	750	750	750	760	750	(1000 Hectares)
Beginning Stocks	24	24	24	24	24	24	(1000 MT)
Production	1,500	1,500	1,500	1,410	1,500	1,370	(1000 MT)
TOTAL Mkt. Yr. Imports	0	0	0	0	0	0	(1000 MT)
Oct-Sep Imports	0	0	0	0	0	0	(1000 MT)
Oct-Sep Import U.S.	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	1,524	1,524	1,524	1,434	1,524	1,394	(1000 MT)
TOTAL Mkt. Yr. Exports	0	0	0	0	0	0	(1000 MT)
Oct-Sep Exports	0	0	0	0	0	0	(1000 MT)
Feed Dom. Consumption	150	150	150	150	150	150	(1000 MT)
TOTAL Dom. Consumption	1,500	1,500	1,500	1,410	1,504	1,374	(1000 MT)
Ending Stocks	24	24	24	24	20	20	(1000 MT)
TOTAL DISTRIBUTION	1,524	1,524	1,524	1,434	1,524	1,394	(1000 MT)